



National  
Qualifications  
2024

**X822/75/11**

**Economics**

WEDNESDAY, 29 MAY

1:00 PM – 3:00 PM

**Total marks — 90**

**SECTION 1 — 40 marks**

Attempt BOTH questions.

**SECTION 2 — 50 marks**

Attempt ALL questions.

**You may use a calculator.**

Write your answers clearly in the answer booklet provided. In the answer booklet you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

Before leaving the examination room you must give your answer booklet to the Invigilator; if you do not, you may lose all the marks for this paper.



\* X 8 2 2 7 5 1 1 \*

**SECTION 1 — 40 marks**  
**Attempt BOTH questions**

**1. UK RECESSION AVOIDED IN FIRST HALF OF 2023**

Economists regularly look at economic indicators to try to make predictions about the UK economy. Factors such as the COVID pandemic and the invasion of Ukraine by Russia have had a negative effect on the UK economy. The annual UK growth rate in May 2023 was a low 0.2%, whilst inflation was 8.7%.

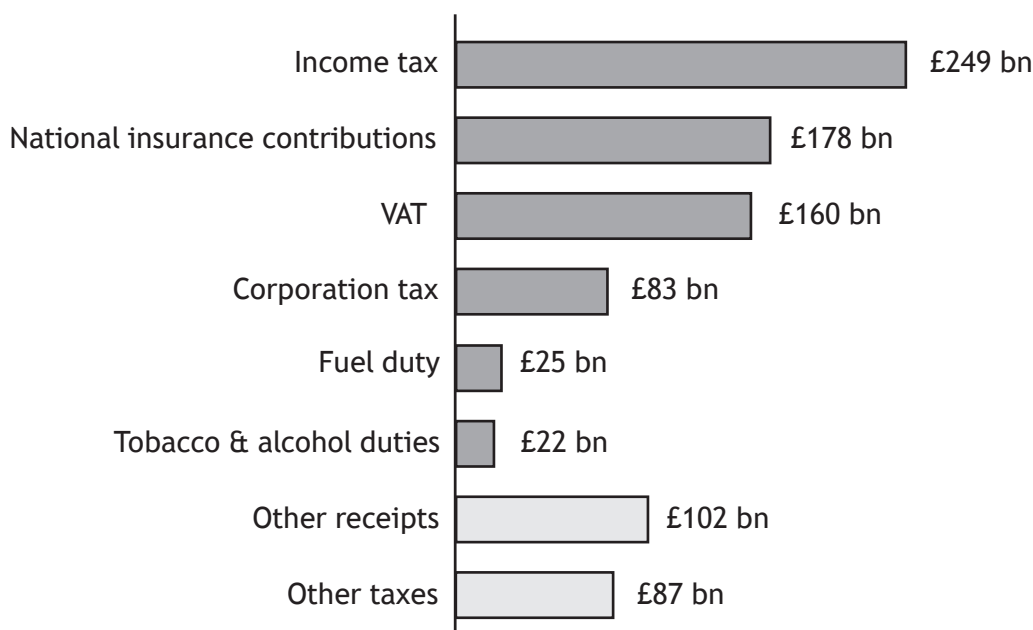
The continuing cost of living crisis has meant that UK household spending on non-essentials, including some imported goods and services, remains low. This has both weakened the **exchange rate** for sterling and negatively affected UK domestic firms.

On a positive note, UK unemployment was lower than the rate in the EU. The Bank of England predicted that the UK would avoid a **recession** in 2023 after analysing relevant data.

- (a) Define the terms as used in the passage:
- (i) exchange rate 1
  - (ii) recession. 1
- (b) Describe **2** methods of measuring UK unemployment. 2
- (c) Describe causes of unemployment. 4
- (d) Describe **one** effect of unemployment on:
- individuals
  - UK firms
  - UK government. 3
- (e) (i) Explain the reason for firms having to make choices. 1
- (ii) Suggest an example of an opportunity cost for a firm. 1
- (f) Suggest the ways in which a fall in the standard of living can be measured. 2
- (g) Explain a way in which a fall in the value of sterling against the Euro may affect a UK holidaymaker going to a Eurozone country. 2
- (h) Describe **3** measures a government could take to reduce the level of imports. 3

## 2. REPLACING FUEL DUTY AND ROAD TAX

Government tax receipts 2022/2023 (extract)



The UK government raises £35bn a year from fuel duty and road tax, however it faces falling tax revenue as drivers switch to electric/hybrid vehicles. As the UK government aims for 'net zero' carbon emissions, it is having to rethink how to tax motorists.

- (a) (i) From the chart, identify **one** direct and **one** indirect tax. 2
- (ii) Describe features of an indirect tax. 2
- (iii) Excluding road tax, name **one** tax that could be classified under the 'other taxes' heading. 1
- (b) (i) Other than having low carbon emissions, describe **3** factors that could increase the demand for electric/hybrid cars. 3
- (ii) Explain, using a diagram, in what way the market for petrol/diesel cars could be affected by an increase in popularity of electric/hybrid cars. 4
- (c) Describe possible ways a government could raise revenue from motorists in the future. 2
- (d) (i) Identify **one** main area of UK Government spending. 1
- (ii) Explain a possible reason for the UK Government spending on the area identified in (d)(i). 1
- (e) (i) Explain reasons for UK families being more likely to own cars than families in developing economies. 2
- (ii) Describe **2** types of aid given to developing economies. 2

## SECTION 2 — 50 marks

Attempt ALL questions

3. (a) Describe the process by which the price of a good settles at equilibrium following:
- a surplus
  - a shortage.
- (b) Suggest 3 determinants which may result in a fall in the supply of mobile phones.
- (c) Explain the reasons why the supply curve usually slopes upwards from left to right.
4. (a) Describe, using examples, fixed costs and variable costs.
- (b) Suggest measures a firm may take to increase its profit.
- (c) Define the term average cost.
- (d) Draw a diagram to show the shape of an average total cost curve.
5. (a) Draw a diagram to show the circular flow of income in a closed economy.
- (b) Explain the effects of a decrease in government spending.
- (c) Explain what causes:
- (i) demand-pull inflation
  - (ii) cost-push inflation.
6. (a) (i) Name a famous Scottish entrepreneur.
- (ii) Describe 2 benefits their business might bring to the UK economy.
- (b) Describe a reason for Scotland's:
- high level of employment in the tourism industry
  - low level of employment in the shipbuilding industry.
- (c) Define the term global trade.
- (d) Describe possible disadvantages of global trade to UK exporters.
- (e) Describe reasons for imposing barriers to trade.

|   | <b>MARKS</b> |
|---|--------------|
| 7. (a) (i) Describe what is meant by a multinational company.               | <b>1</b>     |
| (ii) Give an example of a multinational company.                            | <b>1</b>     |
| (b) Outline <b>3</b> reasons for a firm choosing to become a multinational. | <b>3</b>     |
| (c) From the following list, identify <b>2</b> developing economies:        |              |
| • Sweden  |              |
| • Bangladesh  |              |
| • Australia   |              |
| • China   |              |
| • Ethiopia  |              |
| • USA.  | <b>2</b>     |
| (d) Outline <b>3</b> economic characteristics of developing economies.      | <b>3</b>     |

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